

# Retiree Activities Office

2400 Wright Street,  
Room 160,  
Madison, WI 53704



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## **RAO Newsletter # 108 - November 2, 2011 - Medicare Part B Premium Surprise**

On Thursday, October 27th, Medicare officials announced the new Part B premium rates for 2012 – and they were significantly lower across the board than most people had expected. And for the first time in memory, large numbers of seniors will actually see their premiums drop significantly.

Most beneficiaries with incomes under \$85,000 (or \$170,000 for couples) will see a small increase in monthly premiums from \$96.40 to \$99.90 – an increase of 3.6%.

But for some in that category (specifically, those who first became eligible for Medicare in 2010 and 2011) the \$99.90 rate will be less than what they paid in 2011.

Similarly, beneficiaries with incomes above \$85,000 (\$170,000 for married couples) will see their premiums drop by \$20-\$50 per month.

Why the declines? Because these two groups (new eligibles and upper-income beneficiaries) were hit with extra premium hikes for the past two years. That happened because the law generally bars any drop in Social Security benefits when there's no COLA. That means most people had their Part B premiums frozen for the last two years. But new eligibles and upper-income people were exempt from the freeze, so they absorbed not only their share of the 2010 and 2011 hikes, but also had to cover the share of all of the "frozen" beneficiaries.

Now that the premiums for those 75% of beneficiaries who were held harmless are able to rise, Medicare was able to lift the extra premium burden previously imposed on the unprotected 25%.

The bottom line: almost every Medicare-eligible will be paying lower premiums in 2012 than had been predicted, and a significant number will be paying much less.

The following chart shows the 2012 premium rates.

***2012 Medicare Part B Monthly Premiums:***

<b>Individual Income</b>	<b>2011 Premiums</b>	<b>2012 Premiums</b>	<b>Change</b>	<b>Gov't Subsidy</b>
<b>Under \$85K</b>	<b>\$96.40</b>	<b>\$99.90</b>	<b>+\$3.50</b>	<b>75%</b>
<b>\$85+K - \$107K</b>	<b>\$161.50</b>	<b>\$139.90</b>	<b>-\$21.60</b>	<b>65%</b>
<b>\$107+K - \$160K</b>	<b>\$230.70</b>	<b>\$199.80</b>	<b>-\$30.90</b>	<b>50%</b>
<b>\$160+K - \$214K</b>	<b>\$299.90</b>	<b>\$259.70</b>	<b>-\$40.20</b>	<b>35%</b>
<b>Above \$214K</b>	<b>\$369.10</b>	<b>\$319.70</b>	<b>-\$49.40</b>	<b>20%</b>

And one more piece of good news – Medicare also reported that the annual Part B deductible will drop to \$140 for all beneficiaries in 2012 – a \$22 drop from the 2011 deductible.

Source: MOAA